LEGISLATIVE SERVICES AGENCY

OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6080 | **NOTE PREPARED:** Feb 16, 2015
BILL NUMBER: SB 283 | **BILL AMENDED:**

SUBJECT: Amortization of Unfunded Pension Liabilities.

FIRST AUTHOR: Sen. Walker | **BILL STATUS:** 2nd Reading - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: The bill provides that the board of the Indiana Public Retirement System (INPRS) may determine a term that does not exceed 30 years over which to amortize various unfunded accrued liabilities associated with the funds administered by INPRS.

(The introduced version of this bill was prepared by the Interim Study Committee on Pension Management Oversight.)

Effective Date: July 1, 2015.

Explanation of State Expenditures: The bill allows that amortization terms may not exceed 30 years. However, it is INPRS' stated intention to move towards 20-year amortization periods moving forward, which the bill allows. There is no immediate fiscal impact from the bill, and any future impacts are expected to be small, depending upon the level of future unfunded liabilities.

Additional Information: The provisions of the bill affect all funds administered by INPRS. These include:

(1) The Public Employees' Retirement Fund (PERF)
(2) The Indiana State Teachers' Retirement Fund (TRF)
(3) The Indiana Judges' Retirement Fund
(4) The Prosecuting Attorneys Retirement Fund
(5) The State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Fund

(6) The 1977 Police Officers' and Firefighters' Pension and Disability Fund
(7) The Legislator's Retirement System
(8) The Pension Relief Fund
(9) The Special Death Benefit Fund
(10) The State Employees' Death Benefit Fund

According to INPRS, every time that investment returns are 1% lower than the target rate of return of 6.75%, $193 M of new unfunded liabilities will be created for PERF and TRF. If these new liabilities are amortized over 20 years instead of 30, PERF employer contribution rates will increase by 0.04% and TRF 1996 employer contribution rates will increase by 0.02%. The bill is expected to have an even smaller fiscal impact on INPRS' smaller funds.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: INPRS, All.

Local Agencies Affected: Local units in PERF, municipalities in the 1977 Fund, and school corporations in TRF.

Information Sources: *INPRS Presentation to Pension Management Oversight Committee, September 16, 2014* (https://iga.in.gov/documents/585f90b9).

Fiscal Analyst: Stephanie Wells, 232-9866.